

IN THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

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IN RE:

REVIEW OF NASHVILLE GAS  
COMPANY'S IPA RELATING TO ASSET  
MANAGEMENT FEES

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T.R.A. DOCKET ROOM

DOCKET NO. 05-00165

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**FIRST SET OF DISCOVERY REQUESTS TO NASHVILLE GAS COMPANY  
BY THE CONSUMER ADVOCATE AND PROTECTION DIVISION**

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To: Nashville Gas Company  
c/o James H. Jeffries IV, Esq.  
Moore & Van Allen  
100 North Tryon Street, Suite 4700  
Charlotte, North Carolina 28202-4003

c/o R. Dale Grimes, Esq.  
Bass, Berry & Sims, PLC  
2700 First American Center  
Nashville, Tennessee 37238-2700

This First Set of Discovery Requests is hereby served upon Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. ("Nashville Gas", "Piedmont", or "Company"), pursuant to Rules 26, 33 and 34 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Joe Shirley or Steve Butler, on or before December 14, 2005.

## **PRELIMINARY MATTERS AND DEFINITIONS**

Each discovery request calls for all knowledge, information and material available to Nashville Gas, as a party, whether it be Nashville Gas', in particular, or knowledge, information or material possessed or available to Nashville Gas' attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Nashville Gas which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Nashville Gas supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term “you” shall mean and include: Nashville Gas Company, Piedmont Natural Gas Company, Inc. and all employees, agents and representatives thereof.

The term “person” or “persons” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company’s response. Moreover, the company’s designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, photograph, tape recording, computer disk or

record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication,

- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

### **FIRST SET OF DISCOVERY REQUESTS INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

#### **DISCOVERY REQUEST NO. 1:**

Please identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness.

- (a) Identify the field in which the witness is to be offered as an expert;
- (b) Provide complete background information, including the expert's current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;

- (c) Provide the grounds (including without limitation any factual bases) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (d) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (e) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions; and
- (f) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.

RESPONSE:

**DISCOVERY REQUEST NO. 2:**

Please identify the name and location of all persons having knowledge of discoverable matters in this case.

RESPONSE:

**DISCOVERY REQUEST NO. 3:**

Please produce copies of all documents referred to or relied upon in responding to the Attorney General's discovery requests.

RESPONSE:

**DISCOVERY REQUEST NO. 4:**

Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

**DISCOVERY REQUEST NO. 5:**

Please produce copies of the annual report of shared gas cost savings for the periods July 1, 2001, through June 30, 2002; July 1, 2002, through June 30, 2003; July 1, 2003, through June 30, 2004; and July 1, 2004, through June 30, 2005.

RESPONSE:

**DISCOVERY REQUEST NO. 6:**

Please explain in detail the complete Request for Proposal (RFP) process that Nashville Gas uses to select an asset manager. Include in your explanation a chronological description of all steps necessary to select an asset manager, including the amount of time required to complete each step. For each step of the RFP process, identify all company personnel involved, identity all company affiliates involved, and identity all documents used. Also, provide a description of all criteria used to select potential asset managers as well as a description of all criteria used to select the winning asset manager.

RESPONSE:

**DISCOVERY REQUEST NO. 7:**

Please produce copies of all documents used in or related to the RFP process for selection of the asset manager for the periods July 1, 2002, through June 30, 2003; July 1, 2003, through June 30, 2004; and July 1, 2004, through June 30, 2005.

RESPONSE:

**DISCOVERY REQUEST NO. 8:**

Please produce copies of all documents that the company contends support inclusion of asset management fees in the Performance Incentive Plan for the periods July 1, 2002, through June 30, 2003; July 1, 2003, through June 30, 2004; and July 1, 2004, through June 30, 2005. For each document produced, explain why the document supports inclusion of Asset Management Fees in the Performance Incentive Plan.

RESPONSE:

**DISCOVERY REQUEST NO. 9:**

Produce copies of all contracts, agreements or arrangements entered into between the company and the asset manager(s) selected for the periods July 1, 2002, through June 30, 2003; July 1, 2003, through June 30, 2004; and July 1, 2004, through June 30, 2005.

RESPONSE:



**DISCOVERY REQUEST NO. 10:**

Please state all facts, bases, grounds, and reasons that the company contends support inclusion of asset management fees in the Performance Incentive Plan for the periods July 1, 2002, through June 30, 2003; July 1, 2003, through June 30, 2004; and July 1, 2004, through June 30, 2005. For each fact, basis, ground, and reason stated, please explain why the fact, basis, ground, or reason supports inclusion of asset management fees in the Performance Incentive Plan.

RESPONSE:

**DISCOVERY REQUEST NO. 11:**

Please explain in detail the procedures the company uses to identify the transportation and storage capacity released to the Asset Manager.

RESPONSE:

**DISCOVERY REQUEST NO. 12:**

Please produce copies of all documents and disclose all information regarding the competitive bids received by the company for release of capacity for the periods July 1, 2002, through June 30, 2003; July 1, 2003, through June 30, 2004; and July 1, 2004, through June 30, 2005.

RESPONSE:

**DISCOVERY REQUEST NO. 13:**

If the company contends that it bears risks of monetary loss with respect to its asset

management arrangements in Tennessee, please identify and explain each and every such risk of monetary loss borne by the company.

RESPONSE:

**DISCOVERY REQUEST NO. 14:**

According to the FERC's pipeline customer index data available at FERC's website, Piedmont has employed the following companies or entities as asset managers for Piedmont: Amerada Hess Corporation; Atmos Energy Marketing, LLC; Dynegy Marketing And Trade; Sempra Energy Trading Corporation; Transco Energy Marketing Company; Transcontinental Gas Pipeline Corporation (Merchant Services); and Woodward Marketing, LLC. Please disclose the rights of each agent/asset manager, including the details of the asset manager/agency relationships, with respect to managing capacity release.

RESPONSE:

**DISCOVERY REQUEST NO. 15:**

Please identify the asset manager(s) for Nashville Gas Company selected for the periods July 1, 2002, through June 30, 2003; July 1, 2003, through June 30, 2004; and July 1, 2004, through June 30, 2005. State whether any asset manager identified in response to this request is or was an affiliate of the company, and describe in detail any relationship between the asset manager and the company, including, but not confined to, any common ownership, directors, managers, agents, or employees.

RESPONSE:

**DISCOVERY REQUEST NO. 16:**

Please identify the name and location of all employees, agents, independent contractors, or other persons compensated by Nashville Gas Company or any related entity for the purpose of implementing, managing, or monitoring the capacity management part of the incentive plan for the plan years that ended June 30, 2003, June 30, 2004, and June 30, 2005, and as to each such person, explain the person's function, and explain if the person devoted all of his or her work time to performing that function or some portion of his or her work time.

RESPONSE.

**DISCOVERY REQUEST NO. 17:**

Please identify and explain the amount of money expended by Nashville Gas Company for salaries and other expenses for the purpose of implementing, managing and monitoring the capacity management part of the incentive plan for the plan years that ended June 30, 2003, June 30, 2004, and June 30, 2005.

RESPONSE:

**DISCOVERY REQUEST NO. 18:**

Please explain all safeguards that are in place to assure that the total cost of assets required to safely and reliably serve consumers is minimized.

RESPONSE:

**DISCOVERY REQUEST NO. 19:**

Please explain the methods for maximizing profits by an asset manager, including, but not limited to capacity releases, off-system sales, purchases by the asset manager for the local distribution company, storage deals, and propane transactions.

RESPONSE:

**DISCOVERY REQUEST NO. 20:**

Please explain any instances over the past five years of any individuals (including names) leaving your company to go to an asset manager or an affiliate of the asset manager and any instances of employees (including names) of the asset manager going to the local distribution company or an affiliate of the local distribution company.

RESPONSE:

**DISCOVERY REQUEST NO. 21:**

Please explain the relationship with your asset manager with respect to the handling of company assets, specifically answering whether the asset manager acts as an "agent" or whether assets are "assigned" to the asset manager. What are the advantages and disadvantages of each such arrangement?

RESPONSE:

**DISCOVERY REQUEST NO. 22:**

Please explain how sales of gas to Nashville Gas are priced. That is, on a given day, is gas

delivered to Nashville Gas priced on the basis of what is actually taken at each receipt point, or is it priced at the weighted average of what Nashville Gas is allowed to take? Or, said another way, can the asset manager capture value by beating the weighted average entitlement point price?

RESPONSE:

**DISCOVERY REQUEST NO. 23:**

Please explain the relationship between the "reservation fee" charged by a supplier and the cost of gas and/or other fees paid.

RESPONSE:

**DISCOVERY REQUEST NO. 24:**

Please explain the "dispatch planning process" for Nashville Gas in coordination with Piedmont Gas and the asset manager. Does Nashville Gas have its least-cost dispatch plan separate from Piedmont's or the asset manager's?

RESPONSE:

**DISCOVERY REQUEST NO. 25:**

If Nashville Gas' dispatch gas plan is separate from Piedmont's or the asset managers', please explain how Nashville's assets are kept separate from those of the other two, and please explain how the asset manager adds value to the Nashville Gas dispatch plan

RESPONSE:

**DISCOVERY REQUEST NO. 26:**

Please explain the various options that asset managers can utilize the Nashville Gas' assets and provide a definition of each including, but not limited to: Capacity (Management) Release, Off-System Sales, Storage Utilization, Off-System Sales, Parks, Transportation, Interruptible options, Loans and Exchanges.

RESPONSE:

**DISCOVERY REQUEST NO. 27:**

Please explain how the asset manager may add value by combining two or more of the options previously explained in Discovery Request No. 26, and please explain where these opportunities are summarized in your tariff.

RESPONSE:

RESPECTFULLY SUBMITTED,



JOE SHIRLEY, B.P.R. #22287  
STEVE BUTLER, B.P.R. #14772  
Assistant Attorneys General  
Office of the Attorney General  
Consumer Advocate and Protection Division  
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Nashville, Tennessee 37202  
(615) 741-3549

Dated: November 14, 2005

**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing has been served via first-class U.S. mail, postage prepaid, on this 14th day of November, 2005, upon:

James H. Jeffries IV, Esq.  
Moore & Van Allen  
100 North Tryon Street, Suite 4700  
Charlotte, North Carolina 28202-4003

R. Dale Grimes, Esq.  
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STEVE BUTLER  
Assistant Attorney General

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